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## 1.1 Introduction

Economic well-being has been the aim and endeavour for survival or overall progress of nations. Entrepreneurial development is the key to economic development of a country. Entrepreneurship is the process of discovering, evaluating, and exploiting opportunities, which go on to reify themselves in the form of new business ventures. In a country like ours confronted with the twin problems of unemployment on one hand and scarcity of financial resources on the other, it is only entrepreneurial development, which has got answer for these problems. All the attention flows towards the assistance for entrepreneurial ventures in this context.

Non-Governmental Organisations (NGOs) act as a link in the implementation of various developmental programs of the government. They are able to implement the developmental activities by training and assisting the barefoot entrepreneurs. The Self Help Group (SHG) is also a platform through which NGOs can assist the poor in taking up economic activities to improve their livelihoods. Indian NGOs continues to promote SHGs during the year to expand the outreach of each project team so that in each project location there would be a good number of SHGs to work with in a compact area.

## 1.2 Significance of the Study

The aspect of development through nongovernmental channels has been in discussion and debate of research during these years at international and national level. When coming down

to national and regional level, much of the studies were concentrated towards women empowerment, capacity building, micro finance and so forth. Hence a detailed analysis of the framework existing in the State with special reference to the role and impact proves to significant. The deficiencies if any in the NGO – entrepreneur relationship also needs attention. Policy initiatives are routed through this lane which further attracts serious interest to the channelisation of development efforts.

### 1.3 Scope of the Study

The scope of the present study is defined in terms of geographic representation and period of data coverage and reference.

1.3.1 The geographic scope of the study is defined as the State of Kerala in general and the samples selected in particular

1.3.2 The data coverage period with respect to NGO intervention is particularly with respect to the 10th and 11th Five Year Plan periods.

### 1.4 Statement of the Problem

From the Seventh Plan onwards, the thrust of the Planning Commission has been to open up a space for Non-Governmental Organisations (NGOs) consistent with liberalizing the country's economy and ushering in the era of public-private partnerships. When the only solution for multiple problems of unemployment and scarce resources, seems to be entrepreneurial ventures, the system of assistance for the same also attracts attention. NGOs play a pivotal role here. Kerala, being on the rising spirit in terms of literacy and new ventures, the structure of NGOs existing in Kerala to assist the same needs to be analysed. Further, the concept of entrepreneurship and entrepreneurial development in the context of Kerala requires to be studied. To go further, a systematic analysis of the extent of influence, NGOs have made in the entrepreneurial development in the region proves to be significant. In addition, the

situation calls for a comprehensive analysis of the mutual relationship that exists between NGOs and entrepreneurs. A thorough study of the deficiencies in such relation is being necessitated herein.

### 1.5 Objectives of the Study

The study has the following specific objectives:

- To study the concept of entrepreneurship development in the Kerala context
- To make a comprehensive analysis of the impact NGOs have made in Entrepreneurial development
- To find out the deficiencies in this NGO – Entrepreneur relationship
- To suggest remedial measures to strengthen this relationship

### 1.6 Hypotheses of the Study

Based on the objectives, the present study's hypotheses are framed to cover the role and impact of nongovernmental organisations in entrepreneurship development in Kerala. Where the first major hypothesis is made on the role of NGOs, the latter is framed to cover the impact.

**1.6.1** NGOs play the role of a catalyst for entrepreneurship development in Kerala. To test the hypothesis on the role of NGOs as catalysts for entrepreneurship development, working hypotheses on the beneficiary perception on different aspects are framed. All the working hypotheses are further tested to comprehend cross sectional variances upon gender, region, age, marital status and education level. From the variables so assessed, mean scores are weighted logically and the weighted average of mean scores is used to test the first major hypothesis.

$H_0$: NGOs have no significant role in entrepreneurship development in Kerala context

$H_1$: NGOs have a significant role in entrepreneurship development in Kerala context

1.6.2 NGOs have made an impact on the entrepreneurship development in Kerala. To test the hypothesis on the impact of NGOs in entrepreneurship development, working hypotheses on the beneficiary perception on different aspects are framed. All the working hypotheses are further tested to comprehend cross sectional variances upon gender, region, age, marital status and education level. From the variables so assessed, mean scores are weighted equally and the weighted average of mean scores is used to test the final major hypothesis.

$H_0$: NGOs have made no significant impact in entrepreneurship development in Kerala context

$H_1$: NGOs have made a significant impact in entrepreneurship development in Kerala context

## 1.7 Methodology of the Study

The present study is basically descriptive and exploratory in nature. Empirical evaluation through sample statistics is also supporting the arguments put forth. The methodological arrangement of the study is as follows:

### 1.7.1 Sources of Data

Both primary and secondary data are forming basis of the study. Primary data has been collected from the beneficiaries of the various schemes of NGOs by using structured interview schedules. Secondary data has been collected from both published and unpublished sources.

### 1.7.2 Research Instrument

Structured interview schedules are used to collect survey data. Qualitative questions are made to fit Likert's five point scales of response. Descriptive questions are also used with numerical data along with open ended questions for suggestions and additional information.

### 1.7.3 Population

Population of the study comprises of the beneficiaries of the various initiatives of NGOs routed through SHGs. Despite of several attempts the researcher was unable to find out the exact size of the population of beneficiaries due to the enormous number (more than 3.3 million) of NGOs spread across Kerala, though a smaller proportion devoted to entrepreneurship development and sustainable development initiatives.

### 1.7.4 Sampling Design

In consultation with eminent scholars it was decided to include beneficiaries from the different varieties than mere geographic segmentation of sample. Based on the discussions, the sampling frame is made as to accommodate beneficiaries of from the SHGs under the GONGO Model of SHGs, Community Based Models of SHGs under SNDPY and NSS, SHGs Cooperatives and SHGs under the Charitable Trust Model of SHGs. Though the sample frame is set is this tune, the researcher has attempted to include regional representation from 5 districts of Kerala covering Alappuzha, Kottayam, Ernakulam, Thrissur and Palakkad. Due care has also been made to incorporate beneficiaries from rural and urban backgrounds. Sampling method adopted thus is multi-stage random route sampling which was a result of the pilot study.

### 1.7.5 Pilot Study

Pilot study covered a total 50 respondents from Ernakulam and Palakkad belonging to SHGs under the GONGO model of Kudumbashree. But, this leaded the researcher to realise their memberships in other models of SHGs and their remarks on the different models including Cooperative Model, Community Based NGO Model and Charitable

Trusts Model. This also emphasised the need to cover respondents from the different models than mere geographic segmentation.

### 1.7.6 Sample Size

Based on the pilot study, the 'Z' value equation to estimate an adequate sample size based on pilot study conducted also produced a reasonable sample size of above 417. Yet a higher sample is selected to include a fair representation of beneficiaries of all selected popular models. In consultation with eminent scholars and researchers in the field, the sample size was fixed at 450 beneficiaries to be made up of 150 beneficiaries from GONGO model, 150 beneficiaries from Cooperative Model, 100 beneficiaries from Community Based NGO Model and 50 beneficiaries from the Charitable Trust Model.

### 1.7.7 Tools used for Analysis

The present study empirically analyses the survey data using both descriptive and inferential statistics.

#### 1.7.7.1 Descriptive Statistics

Descriptive statistical tools of simple and cumulative percentages, means were used along with cross tabulated frequencies to facilitate comprehensive understanding of the survey data. Diagrams and charts also supplement the description.

#### 1.7.7.2 Inferential Statistics

The present study being based on a sample with an almost infeasible population, nonparametric tests were used to infer and test the hypotheses. Wilcoxon's Signed Rank test and Chi-square test head the list herein.

## 1.8 Major Findings of the Study

The major findings of the theoretical and empirical analysis of data are presented in tune with the objectives of the study. Other relevant findings observed in the conduct of the research are also presented towards the end of the discussion to facilitate deeper understanding of the problem under study.

### 1.8.1 Nature and Structure of Non Governmental Organisations in Kerala

Following are the major findings with respect to the nature and structure of nongovernmental organisations in Kerala:

- ★ Nongovernmental organisations in Kerala fall into the different structure of entities varying from GONGOs, Community Based NGOs, Cooperatives, and Charitable Trusts. When the GONGOs and SHGs under LSGs were formed with the very purpose of poverty eradication through sustainable development efforts of economic empowerment, other models were following the success stories of GONGO model framing their policy initiatives through diversification of activity portfolios.
- ★ Nongovernmental organisations in general are skilled to perform the bestowed functions that include community organising, participatory action research, business skills, information handling, training and technology handling. These skills are applied in the implementation of their development agenda with the due back up of governmental agencies including NABARD.
- ★ NGO framework for creation of SHGs is propagated as an effective mechanism by NABARD for the SHG-Bank Linkage scheme. A precise measure of support and governance is expected from the part of NGOs over the SHGs under their surveillance.
- ★ Not all the 3.3 million NGOs are aimed at economic empowerment or entrepreneurship development, though a separate functional division is arranged in

almost all NGOs that are envisaged towards entrepreneurship development to look after the development initiatives under SHG route. SHG route is preferred as it attracts the policy initiatives of NABARD and other developmental agencies.

- ★ Special attention is given to the relationship and negotiation with NABARD and commercial banks to serve the flow of funds to the prospects and beneficiaries. South Indian States of Andhra Pradesh, Kerala and Tamil Nadu are the largest recipients of funds through NABARD's SHG-Bank Linkage schemes.
- ★ Universality of reach is also made to effect as there are at least one model of NGO functioning in each district, each panchayat, and even at each ward of governance. This also assures that no one is excluded from the streams of structural development. Presence of different models of NGOs gives a choice and chance for the people to engage in SHGs and reify their pursuit for economic well being.
- ★ Majority of the models promote thrift creation within the SHGs and facilitate lending within the SHGs to members, but the cooperative model and charitable trust model often opt serious funding from SHG-Bank linkage than internal financing. This creates an outline for planned development initiatives.

### 1.8.2 Concept and Scope of Entrepreneurial Development in Kerala

The theoretical and empirical analysis of collected information put forth the following major findings on the Concept and Scope of Entrepreneurial Development in Kerala.

- ★ Kerala's entrepreneurship environment is mostly focused on MSME ventures in agriculture, trade and service sector. MSMEs being the real engines of inclusive growth, and the risk appetite of people at the bottom of the pyramid suiting the same, this is found good from both ends. Income generating activities of micro, small and medium scale are found common as part of the entrepreneurship development initiatives.

- ★ Higher rates of literacy have created a greater prospect for entrepreneurship development in Kerala. It is easier to convince and direct an educated group towards the opportunities ahead. Innovative ventures of sustainable nature are framed out by the opportunists given that it is viably financially supported by the NGO or banks.
- ★ The purposes of loans availed through SHG-Bank linkage mainly include agriculture, agro related ventures and other business or trade. Novel thoughts in emerging micro, small and medium business opportunities are sought out by the educated persons belonging to the affinity groups.
- ★ Much of the ventures are targeted to tap seasonal opportunities where a good number is held even in volume throughout a calendar year. Seasonal demands or opportunities in tune with festivals and events are made use of.
- ★ Peer group influence and/or presence often drives the respondent to affiliate himself to a different model along with the motivation for additional finance. In practice these are observed to be the main reasons for availing multiple memberships in different SHGs under different NGOs.

### 1.8.3 Role and Impact of Non Governmental Organisations in Entrepreneurship Development in Kerala

The theoretical and empirical analysis of collected information put forth the following major findings on the role and impact of nongovernmental organisations in entrepreneurship development in Kerala.

- ★ The role of nongovernmental organisations is found in field testing, joint partnerships, networking and advocacy. NGOs are the promoters of SHGs through educating the people to jointly engage in viable economic ventures that could generate income to earn a living and thereby lead towards economic empowerment at the bottom of the pyramid.

- ★ Empirical analysis of the survey data also affirmed that the beneficiaries are truly acknowledging the efforts of NGOs in providing initiatives for ventures, training for operations, facilitating finance and creation of marketing opportunities. '*Srishti – Sthithi- Samhara*' logic of Indian epics could resemble herewith which means the Creation, Consolidation and Conclusion. When all the models provide training facilities to the beneficiaries, marketing support is a varied aspect. While GONGOs provide with periodic trade fairs, cooperative models and charitable trusts models procure the produce and thereby ensuring a minimum quantum of sale. The cooperative model also offers additional incentives over and above the procurement price which truly benefits the farmers in particular.
- ★ NGO interventions have also resulted in a safe zone opportunity for farmers and venturers in agro sector to operate with sufficient support in access to finance, market and technology. Collective farming have rejuvenated though the NGO-SHG relationship and which is in fact have risen as 'need of the hour' when food security being a major concern for a State like Kerala. Organic farming like '*Pokkali*' paddy cultivation also flourished in this backdrop.
- ★ The impact of nongovernmental organisations has been assessed with the change in the earnings of beneficiaries after joining the SHGs. There has been a considerable increase in the earnings which substantiates the positive impact of nongovernmental organisations in entrepreneurship development. This argument is also supported by the increase in the number of collective ventures of SHGs in every nook and corner of the State.
- ★ The beneficiaries are found to be positively appreciating the percentage of interest on loans availed, though the SHGs with 3 and percentage of monthly interest are still taken up convenient by the respondents it is below the rates charged by the money

lenders. But RBI has issued directive to control the excessive interest rates on loans availed through microfinance. The case of SKS finance could be cited herewith.

- ★ The positive response rates fall down with regard to the marketing support as few models provide opportunity to sell and not an assured lot of sale. Trade fairs are conducted periodically to facilitate marketing opportunity along with the venturers' distribution networks. In the case of cooperative model and charitable trust model under the study, respondents were too gratified with the procurement of produce at reasonable rates that assure a minimum sale
- ★ It was also observed that supply of necessary inputs like machinery and raw materials for the ventures were also arranged on decent terms by some NGOs which are duly appreciated by the beneficiaries. This would truly assist the beneficiaries in the course of operation management at least to a level where they turn self competent to manage their supply chain.
- ★ Access to credit facilitated through bank linkage has truly created a great deal of funds flow to the target audience. If properly channelised, this could generate immense income generating opportunities which could in turn offset the unemployment by chance or choice of people at the different segments of the society.

### 1.8.4 Deficiencies in the NGO-Entrepreneur Relationship

The theoretical and empirical analysis of collected information put forth the following major findings on the deficiencies in the NGO-Entrepreneur relationship:

- ★ Respondents in all models expressed their positive remarks of the NGO-entrepreneur relationship, though few respondents opined to curtail inactive members from the group by monitoring the efforts and participation. Often the inactive members pose moral pressure on the active members with respect to their contribution towards the total output of the scheme.

- ★ A sense of 'taken for granted' approach is found to occur with respect to the performance appraisal of business units under SHGs which could overlook hindrances that need immediate correction. Verification in paper shall not be sufficient for a proper audit of the fund utilisation and operation of business units under SHGs. Though a desirable degree of flexibility shall be maintained, which would facilitate scope for innovation and initiatives from the part of members of the programme.
- ★ In-house competition is faced by SHGS under the GONGO model and Community Based NGOs as same (than similar) products are marketed under different brands (for example, pickles, chips, etc) by SHGs even from the same ward which sometimes affects the marketing opportunity and economy of scale. Unhealthy competition could also arise between SHGs which could dampen the purpose and profitability of the initiatives.

### 1.8.5 Other Relevant Findings

Apart from the major findings discussed above, following relevant inference are also put forth by the researcher:

- ★ In the cooperative model, where the cooperative bank (NGO) itself advances money to the beneficiaries, respondents were at ease in the banking relations. Though the opinion on bank officials in other models are also satisfactory, a friendly touch and bondage distinct the relation.
- ★ Organic farming initiatives of the cooperative and GONGO models in particular are commendable for a State falling short in food production. Cereals, fruits and vegetables are falling under this category of agricultural ventures taken up by the SHG members. *Pokkali* brand (or even philosophy) of paddy cultivation is an organic variety promoted by the cooperatives in rural areas. Along with paddy it facilitates a

space for pisciculture simultaneously. Farmers are provided a relatively safe and collective platform to earn their livelihoods from the traditional occupation.

- ★ Succession planning at the NGO level and SHG level is a matter of concern as the younger generation is less attracted to the schemes in the most productive manner. '*Balakarshakasangham*' and related measures are put forth by the cooperative and GONGO model as remedy to this issue.
- ★ Respondents feel that it could be better if the forms and slips at the bank counters are available in vernacular of the land, *Malayalam* such that anyone could easily understand and use the same appropriately.
- ★ Most of the female respondents felt that female tellers could have been made available at bank counters which would in turn create a comfortable space for them to communicate their issues in detail.
- ★ Use of low quality and non degradable plastics in packing and promotion of the products is found in some cases which in fact is detrimental to the general environment friendly initiatives. Business units under SHGs will have to be equipped with eco friendly packages that would suit their cost budgets.

### 1.9 Suggestions and Recommendations

From the inferences and assessment of the practical constraints on the role and impact of nongovernmental organisations in entrepreneurship development in Kerala, the following suggestions and recommendations are put forth by the researcher:

1.9.1 In connection with the productive utilisation of funds allotted, there shall be strict monitoring of the activities such that the plan funds for development are not made vein. Purpose in paper and practice has to be monitored herewith.

1.9.2 The researcher recommends that along with a strict monitoring framework, there shall be an ethical orientation with respect to development efforts.

1.9.3 The researcher feels that the philosophy of cooperative model and Amritasree model seems to be more attractive in the context of entrepreneurial development as it aims primarily at productive utilisation and capacity building than mere internal lending.

1.9.4 The researcher seems fit that forms and slips at banks could have been made available in Malayalam also to facilitate ease of understanding for the common people.

1.9.5 The researcher affirms that marketing support shall be strategically planned such that the in house competition is avoided and whereby economy of scale and convenience in marketing of produce shall be facilitated

1.9.6 The researcher seems to be fit that measures shall be propagated to regulate the non-degradable plastic spread through the micro and small ventures initiated through this channel.

1.9.7 Pondering on this view, the researcher feels that orientation in waste management and pollution control shall be made to the business units under SHGs in a cost friendly manner to balance the impact on the environment.

1.9.8 The National Policy on Voluntary Sector (2007) had also affirmed that there has been much public debate on the voluntary sector, particularly its governance, accountability, and transparency. It is widely believed that the voluntary sector must address these issues through suitable self-regulation. The Government will encourage the evolution of, and subsequently accord recognition to, an independent, national level, self-regulatory agency for the voluntary sector.

1.9.9 The National Policy on Voluntary Sector further asserted that there is need to bolster public confidence in the voluntary sector by opening it up to greater

public scrutiny. The Government will encourage Central and State level agencies to introduce norms for filing basic documents in respect of VOs, which have been receiving funding by Government agencies and placing them in the public domain (with easy access through the internet) in order to inculcate a spirit of public oversight. In this context, the researcher feels that NGOs shall be more transparent in the funds raised, allocated and utilised in the development agenda which shall form a basis for further research and cost benefit analysis.

1.9.10 In order to facilitate transparency in disclosure in the list of beneficiaries, the GONGO model collected a directory in 2009 under the special initiative of the State Ministry. But the information provided by the different nodal / block levels where lacing uniformity in content and presentation though a proforma was pre-circulated for the same. Tabulation and consolidation of information for the researchers would be made uneasy for no good by such a system of presentation. Keeping this deficiency in mind, the researcher recommends that uniformity in the reporting shall be insisted from the office bearers of SHGs and nodal officers so that a better database of different SHGs functioning under different NGOs in Kerala could be created and monitored by the policymakers.

1.9.11 In the light of thoughts on young entrepreneurs, the researcher recommends the establishments of SHGs by students who have innovative ideas that could work on a small or medium scale with a due support from the present available apparatus. Business incubation in start ups are also there for high achievement cadres of young entrepreneurs.

## 1.10 Conclusion

Nongovernmental organisations have been come to the mainstream of academic research topics in the last decade. Yet the available literature was confined to development initiatives in general or concentrating to women empowerment. Even in the studies covered the SHG-Bank linkage schemes at the State level; the studies were restricted to one or two models on NGOs. This gap was attempted to fill by the researcher. The present study covered the role and impact of almost all available models of NGOs in the State with special reference to entrepreneurship development. Transparency and disclosure of fund utilisation is also put forth as the need of the hour. The role and importance of monitoring the utilisation of funds availed as well as the prospective risk of balloon defaults as a result of unethical multiple memberships and channelisation of funds is also put forth by the study.

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